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**From:**

**Sent:** Tuesday, July 22, 2008 4:19 PM

**To:**

**Cc:**

**Subject:** RE:

3121(z) would operate to treat the foreign sub as an American employer. Hence, the obligation to pay FICA rests with the foreign sub, not the US parent. 3121(z) doesn't say anything about precluding the foreign sub from deducting the FICA tax that it pays on wages paid to its US citizen or resident employees. This may be a stupid point to make because the foreign sub is not a US entity, and presumably doesn't have US income, so I'm not sure how that would work, but I assume that these controlled groups of corporations file consolidated income tax returns?

Also, if        is concerned about not being able to get a deduction going forward, they could get around that by entering into a 3121(l) agreement.